The University of Chicago

ROUND TABLE

OF THE
OF THE
11 1940
WOMEN'S COLLEGE
UNIVERSITY OF NORTH CAROLINA

A RADIO DISCUSSION OF

IF GERMANY WINS

NEIL JACOBY · MELCHIOR PALYI · IRVING PFLAUM

328th BROADCAST IN COOPERATION WITH THE NATIONAL BROADCASTING COMPANY • 116

D
410
U7
no. 116-120

JUNE 2, 1940

The University of Chicago

ROUND TABLE

Published weekly. 10 cents a copy; five copies, 25 cents; half-year subscription, 26 issues, one dollar. Published by the University of Chicago, Chicago, Illinois. Entered as second-class matter January 3, 1939, at the post office at Chicago, Illinois, under the Act of March 3, 1879.

No. 116

NOTE

The supplementary information contained in the footnotes to the following text, developed by staff research, is not to be considered as representing the opinions of the ROUND TABLE *speakers. Following the transcript of the broadcast are questions which readers may wish to use for analysis and discussion. It is hoped that teachers and discussion leaders may find this additional service of the* ROUND TABLE *transcript helpful in their study of the subject discussed in the broadcast.*

IF GERMANY WINS*

A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST

•

NEIL H. JACOBY, Assistant Professor of Finance, University of Chicago

MELCHIOR PALYI, Former Economic Adviser, *Deutschebank*, Berlin

IRVING PFLAUM, Foreign Editor, *Chicago Times*

* A radio discussion broadcast from the University of Chicago over the Red Network of the National Broadcasting Company, Sunday, June 2, 1940, at 1:30 P.M., Central Daylight Saving Time.

The ROUND TABLE, oldest educational program continuously on the air, is broadcast entirely without a script. Subjects are chosen because of their social, political, or economic significance. The program has no "ax to grind." In the selection of speakers, the effort is to provide a balanced discussion by participants who have special competence and knowledge. The opinion of each speaker is his own and in no way involves the responsibility of either the University of Chicago or the National Broadcasting Company.

IF GERMANY WINS

•

The German steamroller in three short weeks battered its way across Luxembourg, Belgium, and the Netherlands, until it poised at the English channel for a leap at England or a swing south into France. The German blitzkrieg had become a reality. Three thousand miles to the west, Americans paused to ask: Where next? What now?

Is Germany about to produce a new Europe? Will empires fall, and Nazi Germany loom as a potential Western Hemisphere neighbor? What if Germany DOES *win the war?*

To predict, on the basis of the most reliable facts available, the possible effects of a German victory, the University of Chicago ROUND TABLE *assumes for the sake of discussion that Europe will be dominated by the Nazi German state. What would this mean to American labor, industry, and agriculture? What changes would be wrought in our democracy in efforts to adjust to this new world situation?*

•

MR. JACOBY: I think it ought to be clearly understood at the outset that we are not going to discuss the probability of Germany winning the war; we are not making any predictions. What we are going to do is to assume, for the sake of the argument, that Germany will win the war, and then ask what the effects will be on the American farmer, the industrial worker, the relief worker, and other sections of the American population.

I think it is somewhat amazing that we are discussing this subject, "If Germany Wins," today. Six months or a year ago I doubt if the subject would have been considered worthy of discussion.[1]

---

[1] *The May 20, 1940, Gallup poll figures showed two out of three Americans felt Germany was winning the war and that the percentage*

MR. PFLAUM: Not more than two months ago we had a discussion on the University of Chicago ROUND TABLE called "War Myths."[2]

MR. JACOBY: You participated then, Pflaum.

MR. PFLAUM: Yes, and we took as one of the myths that Germany must lose because her economy was weak; because she did not have the material to sustain a long war. We said at that time that there was at least a fifty-fifty chance that she would not lose for that reason . . . .

MR. JACOBY: A very good prediction!

MR. PFLAUM: . . . . despite the fact that economists (and I beg pardon of you gentlemen!) have said for seven years that Germany could not stand a long war.

MR. PALYI: That Germany could not stand a long war is also a pretty good prediction. That is one reason why the Germans have tried to make it a short war.

MR. PFLAUM: What we are thinking today in America, apparently, is that Germany is within reach of victory. I don't think it is fair to say that we have reached the state of panic—and there I would like to make a distinction (and I think we all should bear in mind today the difference) between *panic* and *speed*. Germany is moving very rapidly, and if we were to move rapidly it does not mean necessarily that we have lost our heads. It might be the necessity of the case.

---

feeling that the Allies would eventually win had fallen to 55 per cent (from 82 per cent at the outbreak of the war in September, 1939).

[2] *"War Myths" was broadcast February 25, 1940. In addition to Mr. Pflaum, Clifton M. Utley and Louis Gottschalk participated on this* ROUND TABLE *discussion of popular American assumptions about the war and its probable outcome.*

447225

MR. JACOBY: Yes, but wouldn't it be rushing to conclusion to say it is likely that Germany will win? We are not saying tha here. After all, we know that in terms of population the Allied Em pires have about seven times as many people as Germany.[3] In terms of natural resources—with certain exceptions—the Allied Em pires have about fifteen times as many goods as has Germany.

MR. PALYI: Such comparisons are, of course, difficult to make in terms of figures, but the most important thing is that the Allies have at least eighty times as much gold and foreign exchange reserve with which to buy almost anything they need for all war purposes.[4]

MR. PFLAUM: These are all matters that conventional economists have been saying for a number of years will cause Germany's defeat. We can't go into it today—can we?—but we are going to say today that our assumption is that Germany will win—and win in a hurry.

MR. JACOBY: And whether or not that is a good assumption, it seems to me, depends on whether or not the Allied Powers can quickly convert their tremendous man-power and their tremendous resources into effective military striking power in a short time.

MR. PFLAUM: There we get into such difficult questions as: What will happen to the British navy, and will it be able to control the seas and bring material to Europe if the war continues?

MR. PALYI: Let's assume, gentlemen, that the Allies are going to lose the war. We don't know whether an Allied navy will remain. It's the economic, and not the military and political, aspect that interests us.

---

[3] *See pictograph, page 7.*

[4] *These ratios are quoted by Dr. Palyi in his article listed in the suggested readings on page 23.*

MR. JACOBY: What kind of a new Europe will result from a German victory?

MR. PALYI: I think the first thing to look at is the fact that the Nazis are bound to maintain and develop the economic system they already have. They cannot return to what we call normal.

MR. JACOBY: In other words, it will just be Germany on a larger scale geographically.

MR. PALYI: Nazi Germany.

MR. PFLAUM: What is that Germany today? Is it an economy that we are familiar with on this side of the water?

MR. PALYI: No, it is an entirely different one. I would like to call it a military economy in contrast to a capitalistic one, which is not the same as a bolshevik economy in contrast to a capitalistic one. Private property is maintained, more or less—rather less than more.

MR. PFLAUM: The shell of private property.

MR. PALYI: That isn't the essential thing. The essential thing in a capitalistic system is that the consumer chooses what he wants to buy.

MR. JACOBY: And people produce with the incentive of making a profit, as we know.

MR. PALYI: The profit motive may be maintained in Germany, but it is not the people who choose. It is the government, the military authority, who choose the kind of products that are to be produced.

MR. PFLAUM: Then we can say that if Germany conquers England and France, all of Europe, perhaps northern Africa, and perhaps northern Asia, would be living under that kind of system.

MR. PALYI: I would say, if Germany wins, in whatever sense of the word, she is also going to control Russia. Russia will either

join as an ally or will be compelled to join; and, therefore, we can as well say that most of Asia and the whole of Europe, and probably the major part of Africa, will be under German domination and under the domination of a military economy.

MR. JACOBY: That's certainly going to have a very important consequence for the people living in those countries. But I think what the American people are thinking about today is: "How are we going to be affected, as farmers or as workers?"

MR. PFLAUM: There is one thing we can say right away, and say it very definitely: we are going to be affected by the extent to which we will be able to trade with the German economy—with the new Europe, under German domination.

MR. JACOBY: I don't think we can assume we will not trade with the new Europe.

MR. PALYI: I suppose what Pflaum means is that the channels of trade will be basically diverted, but will remain the same, technically speaking. Europe needs certain things that we produce, and vice versa, but the policy will be different because the Germans will try to make on a large scale what they are trying now to make on a small scale.

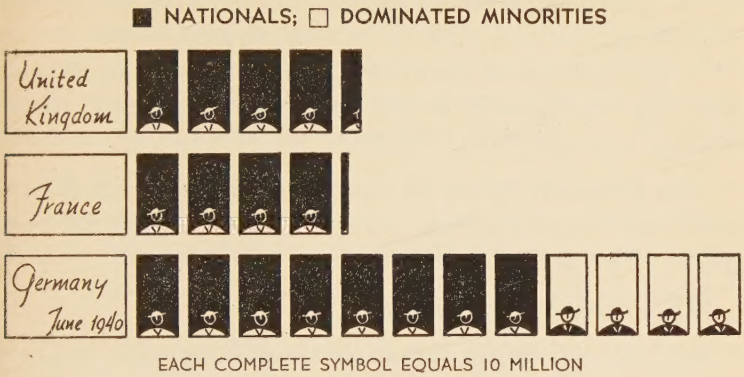
MR. PFLAUM: Because the Germans will be concerned primarily with maintaining a large military machine and making their economy self-sufficient and not dependent upon American products or American materials.

MR. PALYI: That's right!

MR. JACOBY: Let's be specific. In 1939 we sold a billion three hundred million dollars worth of goods to Europe, and we bought from Europe about six hundred twenty million dollars worth of goods. That was a balance of exports over imports of about eight hundred million dollars. Are we going to sell that much in 1941?[5]

---

[5] *See pictograph, page 17.*



MR. PALYI: A more important question is whether we will develop that trade further. That trade at present is a crisis trade. It has been reduced already to one-third what it used to be, and that is one of the basic reasons for our present depression; for the necessity or excuse for interference.[6]

MR. PFLAUM: How could we develop that trade? If we refuse to loan them money, as we did in 1920, how are we going to develop trade with them, unless we are willing to accept on a barter basis, more or less at their terms, their goods in return for our raw materials?

MR. PALYI: You hit the right point. We won't loan them money unless we can take for granted that it will not finance a system of slavery that will exist under naziism.

MR. PFLAUM: Someone called that "scientific" slavery. I think that is a good word for it.

MR. PALYI: Call it what you like, but we won't finance it, I feel sure.

---

[6] *American exports to Europe in 1929 totalled $2,340,000,000. In 1939 this trade amounted to only $1,300,000,000.*

MR. JACOBY: If Germany wins, you say we will not sell thi billion three hundred million dollars worth of goods we now sell even though that is much less than what we used to sell.

Another question we must face is whether or not we are going to make any investments in Europe, and what is to become of the investments we now have in Europe.[7]

MR. PFLAUM: What has become of the investments in Germany, and the investments in the countries Germany has conquered? They are being written off.

MR. JACOBY: Very rapidly.

MR. PALYI: Pflaum already mentioned the question of future investments which are basic for future foreign trade. You can write off not only the past but also the future investments, and that means that our trade will dwindle with Europe and with Africa and with most of Asia, to a minimum.

MR. JACOBY: In terms of the American population, then, it would seem we would have to look at the kind of goods we have been selling. Lard, automobiles, wheat, various agricultural products, such as cotton, have been important items in that European trade. So if the European trade dwindles, the worst effects, it would seem, would be felt by the American farmer.

---

[7] *According to the United States Department of Commerce, Bureau of Foreign and Domestic Commerce, bulletin of May 26, 1940, "The par value of United States holdings of foreign dollar bonds at the end of 1939 amounted to $3,335,000,000 as compared with $3,598,000,000 at the end of 1938." The Treasury Department has taken measures to prevent the total loss of American investments in countries seized by Germany by freezing Belgian, Dutch, and Norwegian investments in the United States. In the event that Germany should confiscate American investments in those countries, the United States could penalize Germany by seizing their investments here. For detailed tabulation of American bond holdings in Europe, see pictograph, pages 10, 13.*

MR. PALYI: Take an example. Germany in that position can get all the wheat she needs, after a little while, from Russia; all the cotton she needs from Egypt or India or some other district—southern Russia or Turkestan; all the iron and steel from Sweden; all the manganese from the Caucasus; perhaps not all the copper, but most of it, if she has the Congo and Katanga.

MR. PFLAUM: In a way, what you are saying is that the new Europe under Germany will be so nearly self-sufficient that we don't have to worry about it so far as competition goes in other raw material markets.

MR. PALYI: I didn't say that.

MR. JACOBY: We can't draw that inference, Pflaum.

MR. PFLAUM: Why can't you draw that inference?

MR. PALYI: I talked about Germany's purchasing of raw materials, but she can still sell and get some more at cheaper prices if she wants to buy from South America.

MR. PFLAUM: The point I wanted to bring out is that the German economy and the German system—which is not primarily economic at all, but revolutionary and social, in my opinion—has as its purpose conquest, and must continue conquest because the military machine is too heavy to carry in peacetimes.

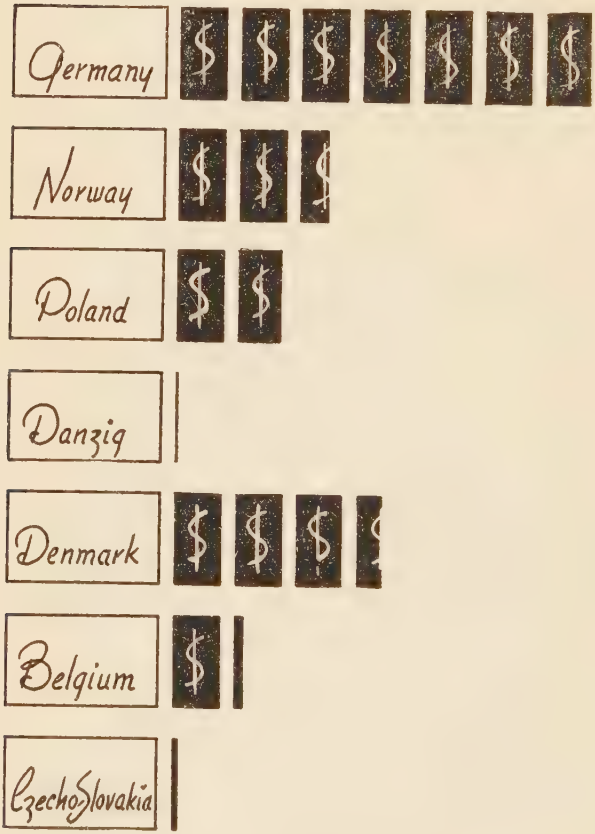
MR. PALYI: Just to clarify our terms, you say that the German economy is primarily not economic; that it is for victory.

MR. PFLAUM: I should say the German *system.*

MR. JACOBY: Isn't it a pretty safe bet that the immediate problems facing a victorious Germany will be a consolidation of the new Nazi-dominated Europe? It will be an effort to make that new large German state as self-sufficient as possible. If the past policy is any guide to what the future will be, it will be as independent as possible of this country.

AMERICAN-HELD BONDS IN SELECTED COUNTRIES, DECEMBER 31, 1939

(EXCLUDING INVESTMENTS IN BUSINESS ENTERPRISES)



EACH COMPLETE SYMBOL EQUALS 25 MILLION DOLLARS

FROM U.S. DEPT. OF COMMERCE, BUREAU OF FOREIGN AND DOMESTIC COMMERCE, MAY 26, 1940

MR. PFLAUM: But I want to make this point: it will not be static. They will not rest content with the new empire in Europe. They will want more, and they must have more. I think, Palyi, that you have yourself written previously that if they take southern Europe, and if they are able to develop Russia—and those are two big "if's" (the development of Russia, especially, is a long-time one) —they must still get material from outside if they are to move on.

MR. JACOBY: Let's take a specific case: South America. It seems to me that it is in South America that German interests and German trade are going to come in closest conflict with American interests and American trade, and, therefore, have the greatest effect on the American worker and farmer.

MR. PALYI: And there certainly will be some conflict there because of the fact that we don't buy all that Argentina can sell and wants to sell. We don't buy cattle and wheat, or don't like to buy them from South America.

MR. JACOBY: And Germany would not buy them, but barter for them. Germany wants them.

MR. PALYI: Buy and barter are the same.

MR. JACOBY: If you are correct—and I think you are—Germany is willing to buy from Argentina the wheat and the beef in return for the things Germany wants to sell to Argentina, but we in turn want to sell to Argentina but are not willing to take those commodities in return. Doesn't that give this new German state a definite advantage over us in South America?

MR. PALYI: Of course it wouldn't make much difference. We have no objection to Argentina trading with Germany if it would be normal trade, but the point is that the German military system which will prepare for further wars—especially for the possibility of war against the Americas—will use the economic advantage it has in terms of barter to alienate the Argentine from us.

MR. PFLAUM: And there we are faced with our first serious choice between the use of force, perhaps, or between the use of other methods short of force, to keep Germany from penetrating South America.

MR. JACOBY: I would suggest a method that will preserve our South American trade that does not entail the use of force. That is a reduction in our tariff barriers to allow us to take from South America what South America wants to sell us.

MR. PFLAUM: Assuming, of course, that a depressed economy in America can stand that.

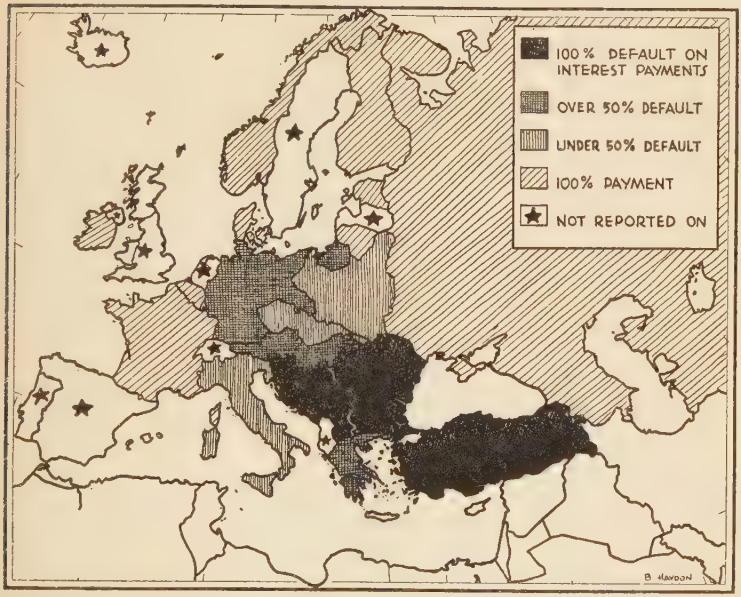
MR. JACOBY: I think a depressed economy can stand not less but more free trade. However, that gets us into another subject. In any event it seems, then, that, as far as the foreign trade position is concerned, the American farmer is going to bear the greatest brunt of this new Germany victory which we are supposing will occur.

MR. PFLAUM: In the first place he will, but all of American society will take it, I think, on a more or less share and share alike basis. Let us hope it will be that way and that war profiteering will be made illegal.

MR. PALYI: That has nothing to do with war profiteering. The point is that if the American farm is depressed, then not only the purchasing power of the farmer is reduced—and, therefore, his purchase of industrial goods—but the general price level of the country is affected downward and, therefore, the whole situation is depressed, whether we have anti-profiteering laws or don't have anti-profiteering laws.

MR. PFLAUM: Well, it's all right if you want to think of a war of munition makers being depressed, but in times of armament usually he is not quite depressed. He is generally rather happy, unless there is some sort of method of keeping his profits down.

STATUS OF AMERICAN-HELD EUROPEAN DOLLAR BONDS, DECEMBER 31, 1939



FROM U.S. DEPARTMENT OF COMMERCE, BUREAU OF FOREIGN AND DOMESTIC COMMERCE

MR. JACOBY: Let's turn from the American farmer. He is an important part of our economic structure but, after all, less than a quarter of our gainfully employed people are in agriculture. What about the American industrial worker? What are going to be the consequences of a German victory for him?

MR. PFLAUM: Look at Germany and you will get a picture of what will happen to industrial workers in this country. I don't mean that we will adopt the Nazi system, but I mean in so far as industry is concerned there may be an expansion of our economy on a military basis for the sole purpose of creating a large armed force.

MR. JACOBY: You are going pretty rapidly there, from a free-enterprise system such as we have to a militarized system such as Germany has. We are going to pass through, it seems to me, quite a period of time and some difficult intermediate steps before we get to that stage. Don't you believe so, Palyi?

MR. PALYI: Well, I don't know. That depends on what Pflaum termed quick movement without panic. We can very quickly achieve that stage. The British made a very big jump into a militarized economy after they recognized that real war preparation presupposes organizing all forces of the population and not merely certain elements in it.[8]

MR. JACOBY: Yes, and the President certainly has taken the leadership recently—ever since the conquest of the Low Countries—to greatly increase the appropriations for arms. They now stand at around four billion four hundred million dollars.[9]

MR. PFLAUM: What do you gentlemen, as economists, think will be the immediate result of that so-called arms boomlet?

MR. PALYI: I don't know what you mean by that. I don't think that four billions will do. I believe that is a mere beginning of the problem, if you realize that the British and French together are

---

[8] *On May 22 the British Parliament passed the Emergency Powers Defense Bill. The bill was rushed through in two hours and a half and only a left-wing Laborite and the single Communist M.P. voted against it. Giving almost complete dictatorial powers to the government, it provides for the taking over of vital industries, regulation of labor, one hundred per cent tax on excess profits, and similar powers to be exercised over a two-year period.*

[9] *$1,823,000,000 in the War Department appropriation bill, $1,459,000,000 in the appropriation bill of the Navy Department, and $1,182,000,000 recommended by President Roosevelt in his special address to the Congress May 16.*

spending now, according to the latest budget, something like ten billion dollars on paper, and in reality will spend much more, and that the Germans have spent fourteen billion dollars every year for the last half-dozen years.[10]

MR. JACOBY: In other words, our present appropriations are just a beginning of the arms expenditures we can expect. Another question is, how is that going to affect the American industrial worker? For instance, will the four billion dollars spent on arms—let's say two and a half billions over and above our normal expenditure—have the same effect on the level of production in this country and in the number of jobs people will get as spending the same amount on WPA jobs?

MR. PALYI: Before asking how it affects group *a* or group *b* in society, you must ask what kind of a system you will get, and then you must take all the major factors into consideration. One factor will be, as we have already said, the depressed agricultural situation. The other factor will be war preparation, with inflationary consequences, as I see it. We can't go on such a large-scale militarization without printing a lot of money.

MR. PFLAUM: When you say "inflation economy," you mean that prices will go up—there will be more money and more jobs?

MR. PALYI: There will be more money printed. Whether prices will go up is another question. That depends upon how much depression on the world market side and on the agricultural and raw material side will counteract the price-rising effects on the money printing. It will also depend on what policies we will follow. For example, we may fix prices, like the Germans do, to keep prices from substantially rising in spite of inflation.

---

[10] *Estimates of military expenditures by a nation with a military economy are necessarily higher than those of countries whose military budgets may not include expenditures for roads and other public works projects which may be of strategic military importance.*

MR. JACOBY: Some price rise will certainly occur with the tremendous borrowing that will go on, in the increase of bank reserves and various other inflationary sources. That is going to mean that, while we will probably be working harder and our economy will be producing more, we are not going to be producing the kind of things that make for higher standards of living. It will be tanks instead of automobiles, or battleships instead of radios and houses.

MR. PALYI: That comes back to what we started on: namely, the difference between a military economy and a capitalistic economy, or between the choice of the general staff and the choice of the consumer.

MR. PFLAUM: The difference is that between an economy that makes products that people want or express a desire to consume and that which produces for war.

MR. JACOBY: Just to illustrate: the four billions plus that we are going to spend on armaments would probably build a million small homes every year.

MR. PFLAUM: A million small homes that might possibly be bombed in a few years if we did not spend the money on the armaments.

MR. JACOBY: That's it. We make our choice of kind of goods we are going to produce, but I don't think anyone argues that tanks and battleships improve the living standard of the people.

MR. PFLAUM: I don't think anyone would say that we are doing something that we like or enjoy doing, or that is a good thing to do. They'd say it's a choice between two evils—one a little lesser, perhaps, than the other; that is, the evil of preparing and the evil of not preparing and being invaded, perhaps, in the future.

MR. JACOBY: Yes. There's another large section of the American population that wants to know what will happen to it if Ger-

many wins. I refer to "reliefers"—those on WPA. What is the prospect for them?

MR. PFLAUM: *Employment*—in one word!

MR. JACOBY: Not all of these people, however, are employable. You have a great many people who have physical handicaps; you have families with no employable member. Are they not liable to be squeezed out with the rise in prices and the constant relief income?

MR. PFLAUM: I suppose you could say in answering that in a general way, if we really go into a military economy and arm, as Germany has been doing in the last six years, we will find a spot for almost everyone who is not so crippled and so handicapped that he is completely useless, because we must use all of our human as well as

natural resources to even touch the kind of economy Germany ha now.

MR. JACOBY: That's very true, so we will probably reduce th population that is on relief. They'll get jobs, but the people that re main on relief are certainly not going to benefit. As a matter of fact in the rush to produce and to strain budgets in order to build arma ments, they may suffer somewhat.

MR. PALYI: That depends what kind of a relief system you have. You may raise their allowances and they may not suffer. Those are the minor details of the vast problem we are discussing. The major point is that we will have to embark on a very large-scale inflationary economy, whether its effects in prices will be shown in a year or two or three years. We can't help doing otherwise. As Pflaum said, it is no use to build houses which may be bombed. We have to build the anti-aircraft guns and the fighting planes first.

MR. PFLAUM: Isn't it true, as we stand in the world today (and it is not a world of our making—at least not directly of our making), the only certain thing is that we must rearm, that we must be strong? There is uncertainty in every field of economic life, isn't there?

MR. PALYI: We can take that for granted and we can then discuss the consequences of that wholesale armament. That means not only tremendous consequences for our already highly inflated financial structure, for our national debt and volume of monetary circulation, and what have you, but it also means a great deal of regimentation of the economic system.

MR. JACOBY: Yes, for example, there has even been talk of preventing the automobile industry this fall from getting out new models in order that the tool and die makers, who normally retool the industry in the fall, will be available to make tools and dies for tanks and various other armament.

MR. PALYI: That's a very small example of big things to come.

MR. PFLAUM: What you mean, when you say that, is that we are going to have to do without more than automobiles if we are going to follow the road to strength: build up armaments and our military machine and empire.

MR. JACOBY: That is one example, of course, of curtailment of production in what we call consumer goods; which means, of course, a lower standard of living.

MR. PALYI: Not only consumer goods. It also curtails the consumption or use of producers' goods. We must divert our whole apparatus from the production of things we like to produce to things we need to be safe.

MR. JACOBY: That's correct. And are there not some other possible effects that the American population will feel if Germany wins? For example, how about some of our recent legislation: the National Labor Relations Board, the Wages and Hours Act, the right to strike, and so on? Is not some of that legislation liable to go by the board if we make an enormous effort to expand production of arms?

MR. PALYI: I would think that if we go into such a system of ten or more billion dollars annual expenses on war, we must then regulate prices so that they don't run away. Then we must also regulate wages, not only downward but upward, and we will have to interfere with the right of workers to strike, and we will have to have a system in which there will be little profit. But also the wage-earners won't have much fun striking and asking for higher wages.[11]

---

[11] *In a broadcast May 26, 1940, President Roosevelt said: " . . . . we must be sure in all that we do that there be no breakdown or cancellation of any of the great social gains which we have made in these past years. We have carried on an offensive on a broad front against social and economic inequalities and abuses which had made our society weak.*

MR. PFLAUM: Aren't you saying there that we are going to copy Germany?

MR. PALYI: Well, you can put it that way, but it is misleading because we don't need to follow everything they did. In terms of principle, we must make this distinction between the consumer economy—what we call usually capitalism—and a planned economy for military purposes. If we want to be prepared, *really* prepared, then we must take the punishment of such a military economy.

MR. JACOBY: And that means, then—as we have analyzed it here—that every class in the American population will have to pay the cost through a reduction in its standard of living and the real goods that it enjoys, and higher taxes. However, is there not this further point to be made: that some sections of our population are going to be relatively worse off than others? For instance, it would seem that the farmer, through loss of his markets, is going to suffer more than the industrial worker.

MR. PALYI: We can't make any such assumption because we don't know what kind of an agricultural policy we will have. We may pay additional money to keep the farmer satisfied.

MR. PFLAUM: In the way of subsidies, you mean?

MR. PALYI: We have already subsidized the farmer on a very large scale, and if we subsidize the munition industry we may have to give the farmer more. The war will mean more money printing in the long run.

MR. JACOBY: That's very true, but, assuming that we maintain only the present rate of subsidy to our agricultural industry, it then looks as though a German victory would mean a worsening of the farmer's condition.

That offensive should not now be broken down by the pincers movement of those who would use the present needs of physical military defense to destroy it."

MR. PFLAUM: But you can't assume that, can you? You can't assume that our economy will function as it has in the past, once Germany has conquered Europe. We are now in a new epoch (I think that is what Palyi was thinking of) when America must of necessity adjust itself to a military era.

MR. PALYI: I hate to call it an "epoch"—it will be something much worse than that.

MR. JACOBY: It's a strong word. I doubt if we will make a complete turnover. We are not yet at the door of the revolution, I hope.

MR. PFLAUM: We are not very far from it, I should say.

MR. PALYI: You see, Pflaum, it sounds like implying that different laws of economy will rule that society. That, I think, is misleading.

MR. PFLAUM: I think it must be said that different laws of economy have ruled Germany since 1933. They have had no capital; they had no gold; they had no raw materials—and look what they did!

MR. PALYI: They did not. It was the same laws. They have used their resources for different purposes, as we will have to do.

The whole discussion reminds me of a personal conversation (if I may inject this here) which I had in 1931 with the post-war commander of the German army, General Otto von Seeckt.

MR. JACOBY: He was the man—was he not?—who built the nucleus for the present large German army.

MR. PALYI: That's right! He is really responsible for Germany's current military success if any single man is responsible. He told me time and again (unfortunately, I did not believe him at that time) that Germany lost the last war because she thought that she could win if she had the biggest arms, the best army, the most

munitions, most guns, the best organizations, perfect transportation and what else. He said: "We overlooked one thing in Germany We overlooked that in a modern war we have to arm not only the army and provide for it, but we have to organize the whole economic system: every single individual and every resource."

MR. JACOBY: And that factor, apparently, they haven't overlooked this time.

MR. PALYI: And the British learned just now that they have to do the same thing. They are a little late.

MR. PFLAUM: And we are just beginning to learn it.

MR. PALYI: I don't know yet whether we have begun to learn it.

MR. JACOBY: We Americans are certainly facing a period of great uncertainty, but of this fact there doesn't seem to be any doubt: that it is folly and utter nonsense to say—as has been said by Colonel Lindbergh and others—that it is of no moment to the American farmer, the American industrial worker, or the relief family, as to how the European war comes out. Our brief analysis here on the ROUND TABLE certainly indicates that there are vast and vital effects that will be felt by every section of our population if Germany should win. And, of course, there will also be tremendous changes in store for Americans if the Allies should win, but that is another problem which perhaps ought to be left for a future discussion.

SUGGESTED READINGS

HITLER, ADOLF, *Mein Kampf.* New York: Reynal and Hitchcock, 1939. (Also available in other editions.) *What will happen "If Germany Wins" as described by the German leader.*

"If Hitler Writes the Peace," *New Republic*, May 20, 1940. *Eight paragraph-summarizations of the effect of a German victory on various parts of the world, including the United States.*

PALYI, DR. MELCHIOR, "What If Germany Wins?" *American Business*, May, 1940. *An examination of the conditions which would confront a victorious Germany, and of the effect of these conditions upon America.*

ROBEY, RALPH, "Suppose the Allies Are Defeated," *Newsweek*, June 3, 1940. *A brief discussion of the possible forms a German victory might take and of the trend in American business since an Allied victory can no longer be assumed.*

SOULE, GEORGE, "If Germany Wins," *New Republic*, April 22, 1940. *An appeal for a democratized industrial system and an extended social reform program as the best method of combating Hitlerism in America and the New World.*

"The Impact upon the U.S. of the Nazi Victories," *United States News*, May 24, 1940. *A discussion of the possibility of a quick German victory and the effects it would have on United States foreign trade, relations with Latin America, and our domestic arms boom.*

"What a British Defeat Would Mean for the U.S.," *United States News*, May 31, 1940. *Discusses some problems a British defeat would bring to the United States, particularly in terms of our trade with Latin America.*

OBJECTIVE QUESTIONS FOR EXAMINATION

The answers to the following questions may be found in the text o the broadcast, and page references are provided to assist in locating th answers.

*

1. How do the Allies and Germany compare in: (*a*) population; (*b*) natural resources; (*c*) gold and foreign exchange? Page 4.

2. As opposed to a "capitalist" economy, Germany's system is called what? Page 5.

3. While the consumer is the final arbiter in a "capitalist" economic system, economic decisions in the German system are made by whom? Page 5.

4. In 1939 American export and import trade with Europe amounted to what figures? List three of the items that have been important in this trade. Pages 7–8.

5. Name two substitute sources of some of these items "If Germany Wins." Page 9.

6. List two agricultural products of South America (of Argentina particularly) which Europe uses and which America would not wish to import in large quantities. Page 11.

7. Farmers represent what proportion of our gainfully employed population? Page 13.

8. What is the approximate estimate for American defense expenditures in 1940–1941? This figure compares with what sum being spent by the Allies and Germany? Page 14.

9. According to General von Seeckt, what omission in 1914–1918 war plans led to Germany's defeat in that war? Page 22.

QUESTIONS FOR ANALYSIS AND DISCUSSION

The following questions of wider scope, intended for discussion, are suggested by the broadcast, and answers may be found in the literature on the subject listed in the section "Suggested Readings," found on page 23.

*

1. Assuming a victorious Nazi Germany, discuss the possible effects of such a change on the following aspects of life in Europe:
   a) economic
   b) political
   c) military
   d) cultural
   e) scientific

2. Can the United States maintain its present capitalistic economy if Germany wins, or must it imitate the German militarized economy to compete for world markets? Can a democracy retain its basic characteristics in a world dominated economically and politically by totalitarian states?

3. What would a German victory mean for South America:
   a) Prosperity based on barter trade with a German Europe?
   b) Economic penetration paralleled by military domination?
   c) Action by the United States to counteract German penetration, economically, politically, or ideologically?

4. What methods might the United States employ, if it should so desire, to prevent German penetration in South America?
   a) Counter-arrangements for barter trade?
   b) Reduced tariffs on South American products?
   c) Military intervention, i.e., an extension of the Monroe Doctrine to embrace economic as well as political sovereignty?
   d) Straight economic subsidy to exclude German trade, such as has been employed by the Allies in Southeastern Europe and the Near East.

The Listeners' Round Table . . . .

traditionally the outlet for listener comment, this week prints the verbatim content of a telegram received immediately following the broadcast, signed by the New York representative of the German railroads.

*

Under the same title as your ROUND TABLE of today, the *Commerce Bulletin* published by the Board of Trade for German-American Commerce, New York, will say editorially [June 3]: "The currents of thought on this question are handicapped by a smoke screen of theoretical menaces ranging all the way to nightmares of invasion. The fundamental facts however are:

"First, there has been no direct threat against our nation's security. Second, the contest between political ideologies is still academic, remote, and intangible so far as it concerns the readiness of American youth to make the supreme sacrifice. Third, Germany has meticulously respected all American rights and has not violated a single one of them. Fourth, it would be most difficult to find or construct a *casus belli*, unless we undertake to commit wanton aggression which we and every American republic have condemned."

The editorial continues: "If Germany wins a very great part of the European continent will come under German economic influence. It is but logical that victorious Germany will seek industrial and commercial expansion first and foremost in that territory. In her new economic dominions Germany would find profitable possibilities to keep her industry and commerce going at top speed and full capacity for decades to come. The new area comprises several hundred million people seeking the privilege of using electric light, radios, refrigerators, farm machinery, modern highways, motor cars, typewriters, tooth brushes or neckties—to mention but a few

articles of modern production. These peoples moreover are much closer to the point of wanting all these things than some natives inhabiting the steaming jungles of South America. The European peoples are also in a better position to pay for these blessings of civilization with the products of their labor and land, particularly agricultural products which have always formed a good trade basis in dealings with industrial nations.

"This development, if it comes, will be of great importance to American industry and business, to our farmers and workmen of much greater importance and value than many times the value of war material exports on which we now concentrate. Our war exports will be doomed as soon as the last shot has been fired. So far, the blockade and war have shut us off from some of our best European markets, particularly those which may come under German influence if Germany wins. The dollar value of that trade is about one billion dollars per year. More than another billion is represented in American investments in that territory. These figures indicate the importance to us of that new economic empire which may come. It is most reassuring that there is no conflict between this trade development and our own American national and international trade endeavors, except perhaps technicalities which business if not politically interfered with has always managed to solve. A new economic empire in Europe would be a great potential market for the United States, if we don't lose it through what Lindbergh called quarreling and meddling.

"If Germany wins the changes towards a new old world should not find us mired in a swamp of plans and forecasts leading in other directions. As destructive as this war, like other wars, is, there is behind it the silver lining of the dawn of a changed Old World, a new Old World under young leadership with systematic planning and efficient organization. That development is not at all disheartening to clear thinking Americans. We pride ourselves as the world's greatest empire builders. We may well acknowledge empire build-

ing qualities in others, particularly if such a European developme does not conflict with our own interests, which cannot be said other economic empires of the world. To anticipate and prepare such developments of the future would be a wise policy."—Germ Railroads.

ROUND TABLE SUBSCRIPTION ORDER FORM

Please send the University of Chicago ROUND TABLE for:

☐ One Year ($2.00) ☐ Six Months ($1.00)

Name.....

Address.....

City.....State.....

☐ I am enclosing the correct amount

☐ Please send me a bill

FOREIGN: ONE YEAR, $3.00; SIX MONTHS, $1.50

TRANSCRIPT SUBSCRIPTIONS

ONE YEAR'S SUBSCRIPTION.....$2.00 SIX MONTHS'.....$1.00

FOR SINGLE COPIES OF THE BROADCASTS LISTED BELOW SEND TEN CENTS IN COIN TO THE UNIVERSITY OF CHICAGO ROUND TABLE, CHICAGO, ILLINOIS. ANY FIVE PAST OR FUTURE BROADCASTS, 25 CENTS.

Nos.

1939

42. *The Economic Struggle for South America*
43. *America Arms—for What?*
44. *Is Security Increasing?*
45. *How Shall We Solve the Housing Problem?*
46. *Price Fixing*
47. *President vs. Congress*
48. *What Would Lincoln Think?*
50. *America's Neutrality Act*
51. *The Outlook for Europe*, Beneš, Wright, Schmitt
54. *The National Income*
55. *The Birth Rate and Business*
56. *Hitler's Economic Motives*
57. *"Room to Live!" Population Pressure and Aggression*
58. *America and the Next War*
59. *Have We Helped the Farmer?*
60. *Refugees*
61. *If Europe Paid Its Debts*
62. *Crisis in Coal*
63. *What Do You Mean—Americanism?*
64. *Russia and Europe*
65. *Freedom and the Economic System*
66. *The Place of Radio in a Democracy*
67. *Questions on Democracy*
68. *Our Liberties Today*
69. *Crisis in the Orient*
70. *Relief and the WPA*
71. *Out of School—Out of Jobs*
72. *The Line-up for 1940*
73. *Will England Save Hitler?*
74. *Is the Consumer Getting His Nickel's Worth?*
75. *Did Congress Revolt?*
76. *Europe on the Verge.* August 27
77. *War Comes.* September 3
78. *Will There Be a Blackout of Peace in America?* September 10
79. *The High Cost of Living*

Nos.

80. *What Will Congress Do?*
81. *How Will We Get Recovery?*
82. *Prosperity vs. Boom*
83. *International Law—What Is It?*
84. *The Economic War*
85. *What's the War All About?*
86. *Testing Public Opinion*
87. *After the Next Armis ice—What?*
88. *Taxes*
89. *Propaganda*
90. *Russia Marches*
91. *Can Capitalism Survive the War?*
92. *Government and Business*
93. *When Tomorrow Comes*
94. *1939: Crisis Year*

1940

95. *Wages and Hours in the North and South*
96. *Is Our War News Accurate?*
97. *The Far East—Backdoor War?*
98. *The Jews*
99. *Economic War Between the States*
100. *Is Russia Losing in Finland?*
101. *Are Tariff Walls Blockading America?*
102. *War Myths*
103. *Economic Issue and 1940*
104. *Is America's Economic Frontier Closed?*
105. *Must the World Unite?*
106. *Can We Protect America?*
107. *The Census*
108. *The Archbishops Look at America*
109. *Scandinavia on the Spot*
110. *Third Term?*
111. *Where's that War Boom?*
112. *The Trojan Horse*
113. *Blitzkrieg, May, 1940*
114. *America and the Peacemongers*
115. *Babies Cost Money.* May 26

HAVE WE TIME TO THINK?

•

A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST

JUNE 9, 1940

•

MORTIMER J. ADLER, Associate Professor of the Philosophy of Law, University of Chicago; author of *How to Read a Book*

CLIFTON FADIMAN, Literary Critic, *New Yorker*

H. V. KALTENBORN, News Commentator, National Broadcasting Company

AND THE ROVING REPORTER

•

SUGGESTED READINGS

HUTCHINS, ROBERT M., "The Higher Learning," *Commonweal,* May 31, 1940.

ADLER, MORTIMER J., *How to Read a Book.* New York: Simon and Schuster, 1940.

CHASE, STUART, "Mr. Dies Is a Communist, too: the Rudiments of Thinking Straight," *New Republic,* January 29, 1940.

COWLEY, MALCOLM, "The End of the Reasoning Man," *New Republic,* October 4 and 11, 1939.

[PRINTED IN U.S.A.]